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5 In the Matter of

No. G02-45

6 THE APPLICATION REGARDING
7 THE CONVERSION AND
8 ACQUISITION OF CONTROL OF
9 PREMERA BLUE CROSS AND ITS
10 AFFILIATES

DECLARATION OF JAMES E.
TOMPKINS IN SUPPORT OF OIC
STAFF'S RESPONSE TO
PREMERA'S MOTION TO CLARIFY
SEVENTEENTH ORDER AND
DECLARE FORM A COMPLETE

11 I, James E. Tompkins, do hereby declare that the following facts are personally known to me
12 and, if called upon to do so, I would testify to them.

13 1. I am now, and at all times pertinent herein was, a citizen of the United States and a
14 resident of the State of Washington, over the age of eighteen (18) years, and competent to
15 testify in a court of law.

16 2. I am the Assistant Deputy Insurance Commissioner for Company Supervision at the
17 Office of Insurance Commissioner of the State of Washington (OIC). In that capacity, I am
18 responsible for reviewing the application filed by Premera in this proceeding. Part of my
19 duties in connection with the review of the Proposed Transaction is to make a determination as
20 to whether Premera's Form A Statement is complete within the meaning of RCW 48.31B.015
21 and 48.31C.030.

22 3. The Form A Statement is still deficient. The Schedules 1 (Assets) and 2 (Assumed
23 Liabilities) to Exhibit D contained in Exhibit G-11 to the Form A Statement have still not been
24 received. These items were identified to Premera and requested in deficiency letters sent to
25 Premera dated October 7, 2002 and November 19, 2002. One of the important aspects to be
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1 considered in a change in control of a health carrier and/or insurance company is the amount, if
2 any, of any assets and liabilities that will be withdrawn from the company as a result of the
3 transaction. It is very important and required by RCW 48.31B.015 and 48.31C.030 that the
4 Insurance Commissioner determine that the company will be financially viable upon
5 conclusion of the transaction. Therefore, if the Insurance Commissioner does not receive the
6 information regarding the amount and nature of the assets and liabilities that will be withdrawn
7 from the company as a result of the transaction, he will be unable to make this determination.
8 Completed Schedules are required under RCW 48.31C.030(2)(d) and (2)(g), and WAC 284-
9 18A-910, Items 5 and 8, as part of the Form A Statement. *See also* 48.31B.015(2)(d) and
10 (2)(g); 284-18-910, Items 5 and 8.

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12 4. These Schedules pertain to the assets and liabilities that Premera intends to transfer
13 from its current Alaska operations to its proposed Alaska for-profit subsidiary. The documents
14 provided do not list the assets and liabilities. John Domeika suggests in his letter to James T.
15 Odiorne dated October 28, 2003 that Exhibit A-6 of the Form A, Certificate of Authority
16 Application for Premera Blue Cross Blue Shield of Alaska Corp., Section 6, Subsection C, Pro-
17 Forma Financial Statements, Projections, and Assumptions (Statutory Basis), at p. 4 provides
18 the required information. As indicated by the title of the document, the list of assets and
19 liabilities to be transferred to the proposed Alaska corporation is “pro-forma”, that is, “as a
20 matter of form”, and does not contain the specific dollar amounts of assets and liabilities that
21 Premera intends to transfer to the proposed Alaska corporation. In fact on page 2 of that same
22 exhibit Premera informs the Commissioner that he may not rely on these pro-forma statements,
23 stating: “You are cautioned not to place undue reliance on these forward-looking statements
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1 that reflect our assumptions made for this analysis. It is almost certain that actual experience
2 will not conform exactly to the assumptions used in this analysis. Actual amounts will differ
3 from projected amounts to the extent that actual experience is better or worse than expected.”
4 In addition these pro-forma financial statements do not provide a list of the specific assets and
5 liabilities that will be transferred, only general statements as to categories.
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7 I declare under penalty of perjury under the laws of the State of Washington
8 that the foregoing is true and correct.

9 Dated November 4, 2003 at Tumwater, Washington.

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12 JAMES E. TOMPKINS
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